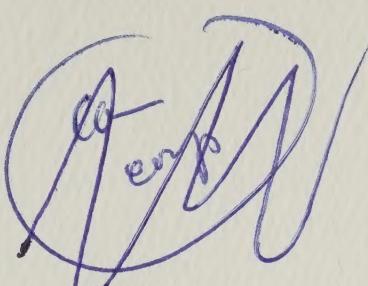


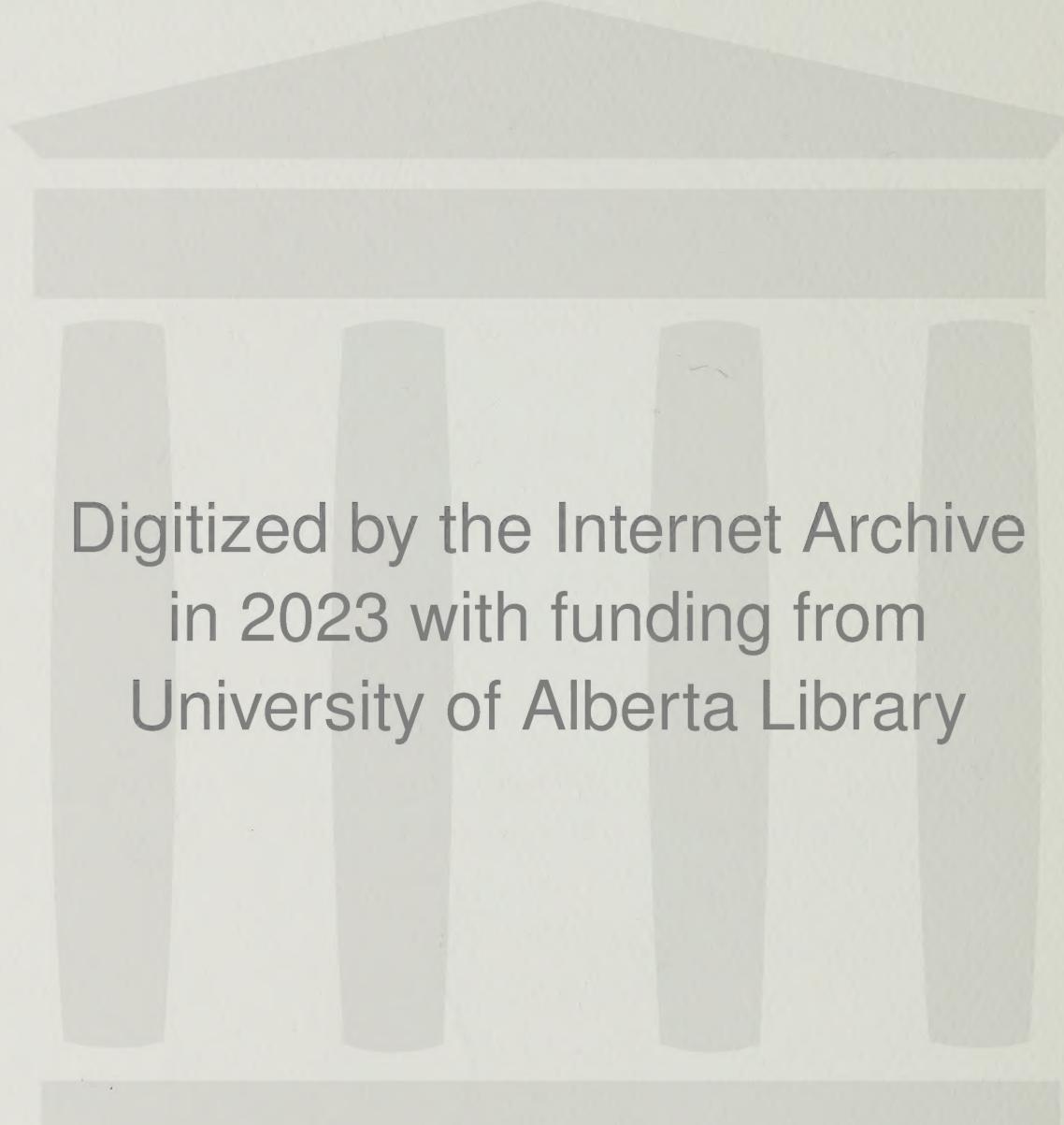
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*Sir*  
  
**KILEMBE**  
**COPPER COBALT LTD.**



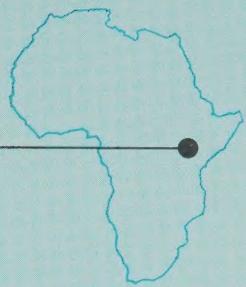
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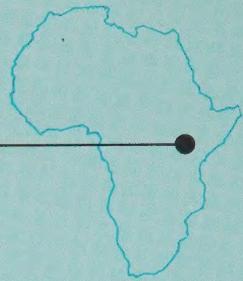
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## REVIEW IN BRIEF

	1971	1970
Tons milled . . . . .	948,000	1,003,000
Grade ore milled %		
Copper . . . . .	1.80	1.91
Blister copper produced —		
metric tons . . . . .	15,731	16,958
Sales of metals . . . . .	\$17,239,000	\$24,488,000
Operating profit . . . . .	\$ 1,360,000	\$ 8,754,000
Net earnings (loss) . . . . .	\$( 638,000)	\$ 2,795,000
Earnings (loss) per share	\$(.16)	\$.72
Capital expenditures . . .	\$ 810,000	\$ 1,380,000
Working capital . . . . .	\$ 109,000	\$ 1,322,000
Average selling price, copper per pound . . . . .	49.4¢	65.6¢



**HEAD OFFICE**

7 King Street East, Toronto, Canada

**OFFICERS**

G. T. N. WOODROFFE	- - - - -	President
G. P. MITCHELL	- - - - -	Vice-President
A. C. CALLOW	- - - - -	Secretary
J. D. KRANE	- - - -	Treasurer & Controller
J. F. GILLIES	- - - -	Assistant-Treasurer

**DIRECTORS**

E. L. HEALY	JAMES HOLMES
G. P. MITCHELL	J. R. SMITH
G. T. N. WOODROFFE	

**TRANSFER AGENTS  
AND REGISTRARS**

CROWN TRUST COMPANY	
302 Bay Street, Toronto, Ontario	393 St. James St. West Montreal, Quebec

REGISTRAR AND TRANSFER COMPANY  
140 Cedar Street - - - New York 7, N.Y.

**BANKERS**

CANADIAN IMPERIAL BANK OF COMMERCE  
Toronto, Ontario

**AUDITORS**

CLARKSON, GORDON & Co., Toronto, Ontario

**SOLICITORS**

TILLEY, CARSON & FINDLAY - - - Toronto, Ontario

**KILEMBE MINES**

Head Office, Kilembe, Uganda  
Chairman of the Board and  
Managing Director - - - A. E. PUGSLEY

**ANNUAL MEETING OF SHAREHOLDERS**

Thursday, April 13, 1972 at 11.30 a.m. (E.S.T.)  
Hunting Room, King Edward Sheraton Hotel  
Toronto, Canada



## REPORT OF THE DIRECTORS

### TO THE SHAREHOLDERS:

In the annual report for 1970 shareholders were advised that under The Companies (Government and Public Bodies Participation) Act 1970 the Government of Uganda was deemed to have acquired additional shares of Kilembe Mines Limited reducing your Company's interest therein to 31%. As we advised shareholders last September, by a Statutory Order of the Government certain companies, including Kilembe Mines Limited, were deleted from the schedule of companies to which the said Act applied. As a result, your Company's interest returned to its original position of 70% of the outstanding shares of Kilembe Mines Limited.

Shortly after the reversion of shares, the Government of Uganda increased the income tax rate for mining companies from 22½% to 40% retroactive to January 1, 1971. Late in June a withholding tax of 12½% on dividends paid by Ugandan companies to non-resident shareholders was imposed.

### FINANCIAL

Now that your Company again holds 70% of the issued shares of Kilembe Mines Limited, the financial statements have been prepared on a consolidated basis and the comparative figures for 1970 have been restated to reflect the same basis.

The consolidated loss of your Company and its subsidiary, Kilembe Mines Limited, for 1971 was \$638,000 or 16¢ per share, a sharp drop from earnings of \$2,795,000 (72¢ per share) in the previous year.

### DIVIDENDS

During the first nine months of 1971 the Company paid three dividends totalling 20 cents per share. However, as no dividends were expected to be received from Kilembe Mines Limited during the latter part of the year, the dividend usually paid by your Company in the last quarter of the year was omitted.

## KILEMBE MINES LIMITED

### PRODUCTION

#### Mining

Ore delivered from the mine totalled 938,987 metric tons, a decrease of some 6% from the record output of 1,003,156 metric tons in the previous year. The average grade of ore mined declined to 1.80% copper from 1.91% copper during 1970.

Production was hampered by six additional public holidays and an illegal strike which caused a loss of four full working days. A major surface landslide at the Bukangama mine in September retarded output for several weeks and caused severe damage to haulage installations and other buildings. This landslide moved slowly and no personnel were injured. A new portal for the 5,900 adit has been opened and rehabilitation work should be completed by the end of March, 1972.

#### Milling

Ore milled totalled 947,627 metric tons grading 1.80% copper compared to 1,003,115 metric tons of 1.91% copper in 1970.

### Smelting

Blister copper production totalled 15,731 metric tons compared to 16,958 metric tons in the previous year, a decrease of 7%.

### ORE RESERVES

Overall ore reserves at year end show a substantial decrease and are estimated as follows:

	1971 Metric Tons	%	1970 Metric Tons	%
	Copper		Copper	
Proved .....	4,223,500	1.84	4,455,000	1.88
Probable .....	<u>943,200</u>	2.20	<u>2,089,000</u>	2.26
	<u><u>5,166,700</u></u>	<u><u>1.91</u></u>	<u><u>6,544,000</u></u>	<u><u>2.00</u></u>

In addition it is estimated there are 1,158,900 metric tons of possible ore grading 1.85% copper.

Probable ore reserves declined some 1,100,000 metric tons. Practically no new probable ore was generated during the year and some deletions were caused by further development and low copper prices.

In view of current copper prices and continued increases in costs, it is no longer considered justifiable to classify several major areas of mineralization as possible ore, and 2,100,000 metric tons have been deleted from possible ore reserves for this reason.

### EXPLORATION AND DEVELOPMENT

Underground and surface drilling in all areas totalled 29,392 meters compared to 25,287 meters in the prior year.

Development work in all classes amounted to 12,170 meters compared to 10,719 meters in 1970. Progress in all phases of this work was generally satisfactory. While very little encouragement was received in the Buhunga and Namhuga areas, results from development of the lower Bukangama deposit have been encouraging.

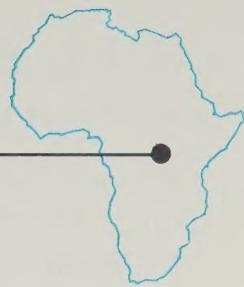
### EXPENDITURES ON FIXED ASSETS

The expenditures on construction and replacement of fixed assets during 1971 which are summarized as follows were \$569,998 less than in the prior year.

Mining, milling and smelting equipment .....	\$ 549,193
Housing and amenities .....	110,346
General equipment and buildings .....	150,583
	<u><u>\$ 810,122</u></u>

### COBALT PROJECT

An up-dated estimate of the capital costs prepared by independent consultants from England confirmed the previous capital cost estimates for a plant designed to extract cobalt from the pyrite cobalt residues which are being stockpiled near the mine. Preliminary conversations have taken place with the object of locating outside sources of finance for this project.



## EXPENDITURES IN UGANDA

Wages .....	U. £ 1,775,000	\$ 5,025,380
Purchases from local suppliers and contractors .....	1,465,650	4,149,548
Payment to Government agencies for electricity, freight, telephone, licences, etc. ....	524,500	1,484,964
	<u>U. £ 3,765,150</u>	<u>\$10,659,892</u>

In addition, Uganda taxes and royalty amounted to U. £ 131,856 (\$373,314).

## PERSONNEL

The difficulty of obtaining sufficient numbers of expatriate personnel continued during the year, especially in the Mining Department. Replacement for skilled operators who have left the Company has been extremely difficult.

Training facilities were expanded further and all the students taking the Guilds of London Institute courses for mechanical and electrical artisans passed their examinations.

## GENERAL

The Port of Mombasa continued to suffer from serious disruption and congestion which followed the establishment by the Uganda Government of an Export-Import Corporation in 1970. Since the Government's new import and exchange control regulations were adopted in November, there have been serious delays in shipments of certain essential supplies arriving from overseas. Sea freight rates have risen in three separate periods during the year amounting to an annual increase of 38.8%. These factors, together with the high inflation rates pertaining to the general economy, have all contributed to the continuing increase in the cost of supplies and equipment. These additional costs, with the added burden of increased corporation taxes, have all contributed to the substantial increases in the cost of producing blister copper.

## KILEMBE COPPER COBALT LTD.

### OUTSIDE EXPLORATION

During the last quarter of 1971 your Company entered into an agreement whereby it is participating with an African subsidiary of Falconbridge Nickel Mines Limited in an exploration project in the Tsumeb area in South West Africa. Diamond drilling has commenced on a number of interesting copper occurrences but it is too early in the program to assess results.

### ACKNOWLEDGMENT

Your directors wish to express their appreciation to the General Manager and his staff and all other employees for the accomplishments at Kilembe during a very difficult year.

On behalf of the Board,

G. T. N. WOODROOFFE,  
President.

Toronto, Ontario,  
February 25, 1972.

**KILEMBE**  
COPPER COBALT LTD.

(Incorporated under the laws of Canada)

AND ITS SUBSIDIARY

**KILEMBE MINES LIMITED**

(Incorporated under the laws of Uganda)

**CONSOLIDATED BALANCE**

(with comparative figures)

**ASSETS**

	<u>1971</u>	<u>1970</u>
<b>CURRENT:</b>		
Cash and temporary investments thereof at cost which approximates market value .....	\$ 1,534,713	\$ 1,747,638
Metal settlements receivable (note 2) .....	837,159	954,054
Accounts receivable .....	249,999	370,633
Advances to Uganda Development Corporation .....		282,000
Copper on hand and in process (note 2) .....	173,686	1,496,233
Total current assets .....	2,795,557	4,850,558
<b>FIXED AND INTANGIBLE ASSETS:</b>		
Mining concessions, at cost, less accumulated amortization .....	1	1
Plant and equipment, at cost .....	31,521,309	30,711,187
Less accumulated depreciation .....	24,293,966	22,661,431
	7,227,343	8,049,756
Materials and supplies, at average cost .....	4,606,327	4,369,209
Total assets .....	\$14,629,228	\$17,269,524

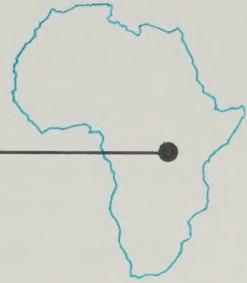
(See notes to consolidated financial statements)

**AUDITORS**

To the Shareholders of  
Kilembe Copper Cobalt Ltd.:

We have examined the consolidated balance sheet of Kilembe Copper Cobalt Ltd. and its subsidiary, Kilembe Mines Limited, as at December 31, 1971 and the consolidated statements of earnings and deficit and changes in financial position for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

Toronto, Canada,  
January 29, 1972.



## HEET — DECEMBER 31, 1971

December 31, 1970)

## STATEMENT 1

### LIABILITIES AND SHAREHOLDERS' EQUITY

	1971	1970
<b>CURRENT:</b>		
Accounts payable and accrued charges .....	\$ 1,485,584	\$ 1,811,034
Provision for Uganda mining royalties, copper export and income taxes (note 3) .....	1,201,229	1,608,300
Dividends payable to minority shareholders .....		109,228
Total current liabilities .....	<u>2,686,813</u>	<u>3,528,562</u>
Minority shareholders' interest in subsidiary company (30%) .....	<u>3,380,625</u>	<u>3,766,053</u>
<b>SHAREHOLDERS' EQUITY:</b>		
Capital —		
Authorized:		
5,000,000 shares of par value \$1.00 each		
Issued:		
3,877,027 shares .....	3,877,027	3,877,027
Contributed surplus .....	8,193,887	8,193,887
Deficit (statement 2) .....	<u>(3,509,124)</u>	<u>(2,096,005)</u>
Total shareholders' equity .....	<u>8,561,790</u>	<u>9,974,909</u>
On behalf of the Board:		
G. T. N. WOODROFFE, Director.		
G. P. MITCHELL, Director.		
Total liabilities and shareholders' equity .....	<u>\$14,629,228</u>	<u>\$17,269,524</u>

ancial statements)

## REPORT

In our opinion these consolidated financial statements present fairly the financial position of the companies as at December 31, 1971 and the results of their operations and the changes in their financial position for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

CLARKSON, GORDON & CO.  
Chartered Accountants.

**KILEMBE**  
COPPER COBALT LTD.

(Incorporated under the laws of Canada)

AND ITS SUBSIDIARY

**KILEMBE MINES LIMITED**

(Incorporated under the laws of Uganda)

**STATEMENT 2**

**CONSOLIDATED STATEMENT OF EARNINGS AND DEFICIT**

For the Year Ended December 31, 1971

(with comparative figures for the year ended December 31, 1970)

	1971	1970
Revenue from metal production .....	<u>\$17,239,030</u>	<u>\$24,488,064</u>
Deduct transportation, refining and selling expenses .....	<u>1,342,201</u>	<u>1,507,426</u>
Net revenue from metal production .....	<u>15,896,829</u>	<u>22,980,638</u>
Operating and administration costs:		
Development, mining, milling, smelting and mine office administration .....	14,455,092	14,147,770
Parent company administration .....	<u>81,521</u>	<u>79,055</u>
	<u>14,536,613</u>	<u>14,226,825</u>
Operating profit before the undernoted items .....	<u>1,360,216</u>	<u>8,753,813</u>
Depreciation .....	<u>1,632,535</u>	<u>1,565,314</u>
Prospecting and exploration expenses:		
In Uganda .....	248,016	182,873
In South West Africa by parent company .....	<u>31,898</u>	<u>1,748,187</u>
	<u>1,912,449</u>	<u>7,005,626</u>
Operating (loss) profit .....	<u>(552,233)</u>	
Other income (expense):		
Interest (net) .....	60,032	450,934
Loss on foreign exchange .....	<u>(16,422)</u>	<u>(242,846)</u>
	<u>43,610</u>	<u>208,088</u>
(Loss) profit before Uganda mining royalties, copper export taxes, income taxes and extraordinary item .....	<u>(508,623)</u>	<u>7,213,714</u>
Provision for Uganda mining royalties, copper export taxes and income taxes (note 3) .....	<u>373,314</u>	<u>2,990,499</u>
(Loss) profit before minority shareholders' interest and extraordinary item .....	<u>(881,937)</u>	<u>4,223,215</u>
Less minority shareholders' interest in loss (profit) of subsidiary .....	<u>244,223</u>	<u>(1,172,463)</u>
(Loss) profit for the year before extraordinary item .....	<u>(637,714)</u>	<u>3,050,752</u>
Extraordinary item — loss on U.S. dollar deposits arising from the freeing of the Canadian dollar .....		256,026 ✓
(Loss) profit for the year (note 1) .....	<u>(637,714)</u>	<u>2,794,726</u> ✓
(Deficit) retained earnings, beginning of the year .....	<u>(2,096,005)</u>	<u>924,809</u>
	<u>(2,733,719)</u>	<u>3,719,535</u>
Deduct dividends — 20¢ per share in 1971; \$1.50 per share in 1970 .....	<u>775,405</u>	<u>5,815,540</u>
(Deficit), end of the year .....	<u><u>\$ (3,509,124)</u></u>	<u><u>\$(2,096,005)</u></u>
(Loss) earnings per share (note 1):		
Before extraordinary item .....	<u>(16¢)</u>	<u>79¢</u>
	<u><u>(16¢)</u></u>	<u><u>72¢</u></u>

(See notes to consolidated financial statements)



### STATEMENT 3

#### CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

For the Year Ended December 31, 1971

(with comparative figures for the year ended December 31, 1970)

	1971	1970
<b>FUNDS PROVIDED BY:</b>		
Operations —		
(Loss) profit for the year before extraordinary item . . . . .	\$ (637,714)	\$ 3,050,752
Add expenses and allocations not requiring outlay of working capital in the current period:		
Minority interest . . . . .	(244,223)	1,172,463
Depreciation . . . . .	1,632,535	1,565,314
Working capital provided from operations for the period, exclusive of extraordinary item . . . . .	750,598	5,788,529
Working capital used by loss from extraordinary item . . . . .	(256,026)	(256,026)
Total funds provided . . . . .	<u>750,598</u>	<u>5,532,503</u>
<b>FUNDS APPLIED TO:</b>		
Purchase of fixed assets (net) . . . . .	810,122	1,380,120
Dividends to minority shareholders of Kilembe Mines Limited . . . . .	141,205	1,179,387
Dividends to shareholders . . . . .	775,405	5,815,540
Increase in inventory of materials and supplies . . . . .	237,118	530,349
Total funds applied . . . . .	<u>1,963,850</u>	<u>8,905,396</u>
<b>DECREASE IN WORKING CAPITAL</b> . . . . .	<u><u>\$(1,213,252)</u></u>	<u><u>\$(3,372,893)</u></u>
<b>CHANGES IN COMPONENTS OF WORKING CAPITAL:</b>		
(Decrease) increase in current assets —		
Cash and temporary investments thereof . . . . .	\$ (212,925)	\$(4,209,613)
Metal settlements receivable . . . . .	(116,895)	(1,158,229)
Accounts receivable . . . . .	(120,634)	(19,024)
Advances to Uganda Development Corporation . . . . .	(282,000)	282,000
Copper on hand and in process . . . . .	(1,322,547)	1,292,985
	<u>(2,055,001)</u>	<u>(3,811,881)</u>
Decrease (increase) in current liabilities —		
Accounts payable and accrued charges . . . . .	325,450	(324,907)
Provision for Uganda mining royalties, copper export and income taxes . . . . .	407,071	873,123
Dividends payable to minority shareholders . . . . .	109,228	(109,228)
	<u>841,749</u>	<u>438,988</u>
<b>DECREASE IN WORKING CAPITAL</b> . . . . .	<u><u>\$(1,213,252)</u></u>	<u><u>(3,372,893)</u></u>
<b>WORKING CAPITAL, BEGINNING OF THE YEAR</b> . . . . .	<u>1,321,996</u>	<u>4,694,889</u>
<b>WORKING CAPITAL, END OF THE YEAR</b> . . . . .	<u><u>\$ 108,744</u></u>	<u><u>\$ 1,321,996</u></u>

(See notes to consolidated financial statements)

**KILEMBE**  
**COPPER COBALT LTD.**

(Incorporated under the laws of Canada)

AND ITS SUBSIDIARY

**KILEMBE MINES LIMITED**

(Incorporated under the laws of Uganda)

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 1971**

**1. PRINCIPLES OF CONSOLIDATION**

The consolidated financial statements include the accounts of Kilembe Mines Limited (incorporated under the laws of Uganda) which is 70% owned and is the only company in which Kilembe Copper Cobalt Ltd. has any significant direct or indirect interest.

The 1970 accounts of Kilembe Copper Cobalt Ltd. were presented to the shareholders on an unconsolidated basis since, at that time, Kilembe Mines Limited was deemed not to be a subsidiary of Kilembe Copper Cobalt Ltd., as a result of the deemed acquisition of 3,694,445 shares of Kilembe Mines Limited by the government of Uganda, effective April 30, 1970. In May of 1971, the government of Uganda reversed its decision, and the 3,694,445 shares that were deemed to have been acquired reverted to Kilembe Copper Cobalt Ltd., thereby re-establishing Kilembe Mines Limited as a 70% owned subsidiary. Consequently the 1971 and 1970 accounts have been prepared on a consolidated basis.

In 1970, because of the government's deemed acquisition of the shares, only dividends actually received from Kilembe Mines Limited were taken into income by Kilembe Copper Cobalt Ltd. in that year. Since Kilembe Mines Limited is once again a subsidiary, the accounting practice adopted in 1970 by Kilembe Copper Cobalt Ltd. with regard to dividends has been retroactively revised so that the 1970 statement of earnings of Kilembe Copper Cobalt Ltd. includes that company's share of the earnings of Kilembe Mines Limited for 1970. The effect of this retroactive accounting change in the accounts of Kilembe Copper Cobalt Ltd. applicable to 1970, after taking into account the extraordinary item which arose in 1970, may be summarized as follows:

	<u>Earnings</u>	<u>Earnings per share</u>
As previously reported .....	\$2,233,458	58¢
Deduct dividends received from subsidiary, previously included in 1970 earnings .....	(2,197,308)	(57¢)
Add parent's share of subsidiary's earnings previously not recorded .....	<u>2,758,576</u>	<u>71¢</u>
As restated for 1970 .....	<u>\$2,794,726</u>	<u>72¢</u>

Most of the income of Kilembe Mines Limited has been received in U.S. dollars and the expenditures have been incurred in pounds sterling or in Uganda currency. Assets and liabilities and revenues and expenses in currencies other than Canadian dollars are translated into Canadian funds on the following bases:

Fixed and intangible assets and share capital.

At the rates of exchange prevailing when the transactions giving rise to such items occurred.

Accumulated provisions for depreciation and amortization, and provision for depreciation and amortization in the current year.

At rates of exchange prevailing when the expenditures on the related fixed and intangible assets were made.

Other assets and liabilities.

At the closing rates of exchange prevailing at the end of the year.

Revenues and expenses other than depreciation and amortization.

At the average of monthly rates of exchange in effect during the year.



## 2. INVENTORY OF COPPER

Copper on hand and in process consists of copper concentrates in production between the mill and the completion of the smelter operation. Inventories of copper concentrates are priced at the lower of cost and estimated realizable value, the latter based on the delivered price of refined copper less transportation, refining, selling and smelting costs. Blister copper produced by the smelter is sold under contract, and is recorded as produced in "metal settlements receivable" at estimated realizable value.

## 3. UGANDA MINING ROYALTIES, COPPER EXPORT TAXES AND INCOME TAXES

Kilembe Copper Cobalt Ltd. is exempt from payment of Canadian income tax in 1971 since it is a "foreign business corporation" under the provisions of the Income Tax Act (Canada) existing at December 31, 1971. The Canadian Income Tax Act has been revised effective January 1, 1972 with the result that the concept of the "foreign business corporation" will be phased out evenly over a period of five years from January 1, 1972. Dividends from Kilembe Mines Limited will continue to be exempt from Canadian tax.

The provision for Uganda mining royalties, copper export taxes and income taxes consists of:

	1971	1970
Provision for mining royalties .....	\$ 6,028	\$ 166,594
Provision for copper export taxes .....	6,387	1,436,356
Provision for income taxes .....	<u>360,899</u>	<u>1,387,549</u>
	<u>\$ 373,314</u>	<u>\$2,990,499</u>

The Uganda government raised the income tax rate from 22½ % to 40%, beginning in 1971.

In June 1971 a withholding tax of 12½ % on dividends was introduced. Kilembe Mines Limited declared no dividends in 1971 after the withholding tax became effective.

## 4. STATUTORY INFORMATION

In accordance with the requirements of Section 120B of the Canada Corporations Act, 1970, the following information is reported:

	Kilember Copper Cobalt Ltd.		Kilembe Mines Limited	
	1971	1970	1971	1970
Number of directors .....	5	5	7	7
Aggregate remuneration as directors .....	—	—	\$ 9,908	\$ 10,164
Number of officers .....	6	6	3	3
Aggregate remuneration as officers .....	\$ 7,500	\$ 7,500	\$ 57,323	\$ 56,270
Number of officers who are also directors	2	2	1	1

## FINANCIAL REVIEW

	1971	1970	1969	1968	1967	1966	1965	1964	1963	1962
Ore reserves (metric tons)	5,167,000	6,544,000	5,452,000	5,594,000	5,985,000	5,854,000	5,866,000	6,235,000	6,012,000	6,588,000
Ore treated (metric tons)	948,000	1,003,000	980,000	932,000	873,000	943,000	943,000	904,000	901,000	891,000
Grade of ore milled — % copper .....	1.80	1.91	1.93	1.85	1.91	1.91	1.96	2.17	2.13	1.99
Blister copper produced (metric tons) .....	15,731	16,958	16,563	15,597	14,426	16,098	17,141	18,260	16,216	15,577
Sales .....	\$17,239,000	\$24,488,000	\$26,773,000	\$20,641,000	\$17,927,000	\$21,927,000	\$27,312,000	\$19,184,000	\$11,179,000	\$10,925,000
Operating profit .....	\$ 1,360,000	\$ 8,754,000	\$ 11,830,000	\$ 6,579,000	\$ 5,027,000	\$ 9,474,000	\$ 15,981,000	\$ 9,257,000	\$ 3,131,000	\$ 3,220,000
Earnings (Loss) .....	\$( 638,000)	\$ 2,795,000	\$ 4,395,000	\$ 2,426,000	\$ 599,000	\$ 3,435,000	\$ 7,251,000	\$ 4,156,000	\$ 263,000	\$ 191,000
Earnings (Loss) per share	\$(.16)	\$.72	\$1.13	\$.62	\$.15	\$.89	\$1.87	\$1.07	\$.07	\$.05
Capital expenditures .....	\$ 810,000	\$ 1,380,000	\$ 1,748,000	\$ 2,053,000	\$ 1,407,000	\$ 2,531,000	\$ 2,954,000	\$ 1,902,000	\$ 890,000	\$ 772,000
Working capital .....	\$ 109,000	\$ 1,322,000	\$ 4,695,000	\$ 2,820,000	\$ 3,009,000	\$ 2,585,000	\$ 3,235,000	\$ 1,171,000	\$ 2,063,000	\$ 1,644,000
Average copper price per pound .....	49.4¢	65.6¢	73.3¢	60.0¢	56.4¢	61.8¢	70.5¢	47.2¢	31.7¢	31.8¢





# KILEMBE COPPER COBALT LTD.

7 King Street East  
Toronto 210, Ontario

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## INTERIM REPORT

**6**

months

Ended June 30, 1971

## AR09

To the Shareholders:

As you were advised early in July, the Government of Uganda has made certain changes in its legislation which have the effect of restoring to Kilembe Copper Cobalt Ltd. the ownership of shares of Kilembe Mines Limited which had been deemed to have been acquired by the Government under the 1970 legislation. As this action brings your Company's holdings back to 70%, the financial statements for the first six months of 1971 have been prepared on a consolidated basis.

Since the notice of July 5th was sent to you, word has been received that the Minister of Finance of Uganda, in presenting his budget speech, has proposed an increase in the income tax rate for mining companies from 22½% to 40%. In addition, he has proposed that dividends paid by Ugandan companies to non-resident shareholders be subject to a withholding tax of 12½%. Certain other tax changes are also recommended. We are unable to determine the full effect of these proposed changes on the Company's earnings until these budget proposals have been transformed into legislation and until the regulations relating thereto have been published. However, in calculating Company earnings for the six months to June 30, 1971 we are making provisions for income taxes at the rate of 40%, as the Minister of Finance has proposed that the new rate be effective from January 1, 1971.

On this basis, earnings for the six months were \$23,000 compared to \$2,198,000 for the same period last year. This decrease in earnings is the result of lower production of blister

copper and lower prices received for copper, offset somewhat by decreased operating costs and taxes.

Production for the six months was 6,822 tons of blister copper compared to 8,177 tons for the same period in 1970. The decrease in production is due mainly to three factors: the average grade of ore treated was 1.85% in the first six months of 1971 compared to 1.92% in the first six months of 1970; there was a slight reduction in the tonnage of ore milled; and a series of difficulties occurred in the smelter operation, which have since been corrected.

G. T. N. Woodrooffe,  
President.

Toronto, Ontario,  
July 28, 1971.

**KILEMBE COPPER COBALT LTD.**  
and its subsidiary Kilembe Mines Limited

**INTERIM STATEMENT OF CONSOLIDATED EARNINGS  
FOR THE SIX MONTHS ENDED JUNE 30, 1971**

	6 Months ended June 30, 1971	6 Months ended June 30, 1970
<b>Operating Results:</b>		
Tons ore milled .....	481,836	494,142
Grade ore — % Copper .....	1.85%	1.92%
Blister copper produced — lbs. ....	<u>15,027,000</u>	<u>17,895,000</u>
Copper recovery — % .....	92.94%	92.01%
<b>Statement of Consolidated Earnings:</b>		
Estimated net proceeds from metal sales .....	<u>\$ 7,140,000</u>	<u>\$13,241,000</u>
Operating and administration costs .....	5,935,000	7,049,000
	<u>1,205,000</u>	<u>6,192,000</u>
Provision for depreciation .....	793,000	743,000
Provision for Uganda mining royalty .....	43,000	122,000
Provision for Uganda income taxes .....	324,000	945,000
Provision for Uganda copper export tax .....	4,000	1,314,000
	<u>1,164,000</u>	<u>3,124,000</u>
Operating profit before minority interest .....	41,000	3,068,000
Less minority shareholders interest in profit of subsidiary .....	18,000	870,000
	<u>\$ 23,000</u>	<u>\$ 2,198,000</u>
Per share .....	1¢	57¢
Dividends paid in six month period .....	15¢	30¢
Average price per pound of blister copper .....	52¢	78¢

**STATEMENT OF SOURCE AND APPLICATION OF CONSOLIDATED FUNDS  
FOR THE SIX MONTHS ENDED JUNE 30, 1971**

	1971	1970
<b>Funds provided:</b>		
From operations		
Profit before minority interest .....	\$ 41,000	\$ 3,068,000
Add depreciation, a charge to operations which in themselves did not require a current outlay of cash .....	793,000	743,000
	<u>834,000</u>	<u>3,811,000</u>
<b>Funds applied:</b>		
Purchase of fixed assets (net) .....	327,000	866,000
Dividend paid to minority shareholders of Kilembe Mines Limited .....	252,000	643,000
Dividend paid to shareholders .....	582,000	1,163,000
Increase in other assets .....	250,000	1,000
	<u>1,411,000</u>	<u>2,673,000</u>
Excess of funds provided over funds applied (funds applied over funds provided) during the period .....	(577,000)	1,138,000
Working capital, beginning of period .....	1,424,000	4,695,000
Working capital, end of period .....	<u>\$ 847,000</u>	<u>\$ 5,833,000</u>

*(The above figures are subject to audit)*

